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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001608

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USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK
EEB FOR A/S SULLIVAN
EUR FOR DAS BRYZA
SCA FOR DAS MANN
DOE FOR DAS HEGBURG
USTDA FOR DAN STEIN

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#) [AJ](#) [RS](#) [IZ](#) [TX](#) [KZ](#)

SUBJECT: TURKEY - ENTHUSIASM FOR TURKMENISTAN AND IRAQ GAS

REF: A. ANKARA 1481

[1](#)B. ANKARA 1421

[1](#)C. ANKARA 1286

Classified By: ECON/C T. GOLDBERGER FOR REASONS 1.5 (B) AND (D)

[1](#)1. (C) SUMMARY: In a June 13 meeting with EUR DAS Matt Bryza, Turkish Energy Minister Hilmi Guler gave a positive and enthusiastic read-out of his recent trip to Turkmenistan and Kazakhstan. Guler was confident that an off-shore Turkmenistan-Azerbaijan connection was workable and wants Turkey to be an active participant, but called for greater speed, support, and activism from the United States. Guler said he had invited the Azeris to discuss gas transit, but they had not yet responded. Guler strongly supported a second U.S.-Turkey-Iraq gas trilateral on the margins of Turkey's proposed June 28-29 meeting of the Iraq Neighbors Energy WG, but asked the USG to push for appropriate Iraqi participation. End Summary.

Bullish on Turkmenistan, but Waiting for Knight Shining Armor

[1](#)2. (C) Just returned from Turkmenistan and Kazakhstan, Guler was enthusiastic about potential for a trans-Caspian Pipeline from Turkmenistan. He noted that Russia and even China were well entrenched in Turkmenistan, and said Turkmenistan was looking for action from our side. Guler described the Turkmen as hesitant and cautious -- "acting as if someone is listening." Guler said that in more private meetings, his interlocutors were candid about their concerns about Russia. The Minister described the Turkmen and Kazakhs as waiting for a "knight" to come to their rescue. Pointing at EUR DAS Matt Bryza, he intoned: "You are that knight!" Guler noted that EU Energy Commissioner Piebalgs was supportive of a trans-Caspian pipeline from Turkmenistan and that there is a lot of bogus talk about environmental risk for a pipeline in the Caspian. He said the latter was nonsense because there are already so many pipelines, and gas is much less environmentally risky than oil.

[1](#)3. (C) Bryza agreed that the time was right to move forward on a trans-Caspian gas link from Turkmenistan, though we

needed to move carefully so as to avoid spooking Ashgabat. He emphasized that the Russia-Kazakhstan-Turkmenistan announcements were no cause to panic; it was a political deal that sought to assure that Turkmenistan was able to fulfill existing commitments to Russia, though, absent quick and visible progress on the Southern Corridor, the announcement could cause political damage. He said it left Turkmenistan flexible to pursue new deals, particularly in western off-shore areas. Bryza stressed that our policy was not to disrupt existing contracts. He said potential linkage of the Turkmen offshore Petronas field 60 km to Azeri ACG would be an attractive means to create a TCP, noting that the Petronas field had potential to be equal to Shah Deniz in reserves. Bryza said Azerbaijan, the EU, BP, and Statoil were exploring this idea. He noted that Turkmenistan and Azerbaijan were setting up joint working group on Caspian oil and gas, which could work on this project.

14. (C) Guler stressed that Turkey was in a good position to facilitate a TCP, noting that Turkey had an existing gas contract with Turkmenistan for provision of 16 BCM to Turkey and 14 BCM to Europe. He explained that Turkey's domestic pipeline grid could be used to provision gas to Europe. Moreover, Guler said the Turkish state oil company TPAO would like to actively participate in development of the Petronas block potential. The Minister said it would be normal for a Turkish company to arrange transit of gas produced to Turkey and beyond via Azerbaijan. Bryza noted that the geology was challenging, and would require participation of a major company that could bring the newest technology. Guler and Bryza agreed that our joint support was necessary and that a TCP could feed both Nabucco and Turkey-Greece-Italy pipeline projects, but that Turkmenistan needed to be courted carefully.

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Turkey-Greece-Italy Interconnector

15. (C) Guler said that Turkey, Greece, and Italy were getting close on signing an IGA. He said Greece agreed to Turkey's need for an option to purchase up to 15% of gas transited at a "net-back" price (though Turkey had hoped to reserve 25% of the pipeline's gas for purchase). Guler said Italian Edison had not yet agreed. Bryza noted that Edison VP Poti told him Edison wanted to assure sufficient phase one quantity and timing (around 11.5 BCM). It was important, Bryza continued, to ensure the investors would be assured of sufficient volume to meet their project financing commitments. Guler said that we needed to work together with the producers in Azerbaijan to ensure that they factor in Turkey's own growing demand for natural gas for domestic distribution and power.

Getting Azeris and Turks to Talk

16. (C) Guler again expressed his willingness to meet with Azeri partners to discuss gas transit. He emphasized that he had personally invited Natiq Aliyev, but he had not received a response. Bryza said that SOCAR Head Rovnag Abdullayev and Natiq Aliyev had been designated interlocutors. He also understood that Abdullayev would be in Istanbul on June 15 (which we independently confirmed), however Guler said he was unaware of this visit. Guler was optimistic that they would talk. He said Turkey was ready to nominate volumes under the first year of the bilateral supply contract, but that Turkey and Azerbaijan had to agree on the date when the one-year period begins and the price for the second and third years. Moreover, Turkey would want to ensure that the full volume of gas was flowing through the pipeline before the clock would start ticking to mark the year during which Turkey would be able to purchase gas at a preferential price. Guler

criticized EU countries for talking directly to Iran ("over" Turkey). Guler said Turkey was in contact with Iran, but they were in arbitration over gas price.

Second Trilateral Working Group on Iraqi Gas

¶17. (C) Bryza said that Turkish MFA Iraq Coordinator Cellikol had informed him earlier in the day that he supported planning a second Iraq-Turkey-United States gas meeting on the margins of the Iraq Neighbors Energy Working Group now targeted for June 28-29. Guler strongly endorsed this idea, and asked that the USG to work hard with the GOI to ensure appropriate Iraqi participation (central government and gas expertise).

¶18. (C) COMMENT: Guler and Bryza agreed on the need to explore how to move forward quickly but quietly with Turkmenistan on a trans-Caspian gas. Bryza said he understood that Turkey had to maintain good relations with Russia. Guler acknowledged pressure from Russia for a second Blue Stream; in parting, he told Bryza not to worry about Blue Stream II, but he emphasized his need for alacrity and support from the U.S. We will have to continue to press the Turks and Azeris to get together for long-delayed talks on short and long-term gas transit to lay a foundation for a southern gas corridor to Europe.

¶19. (U) This cable was cleared by EUR/DAS Matt Bryza.

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WILSON